

U.S. Department of Labor Employment and Training Administration Washington, D.C. 20210	CLASSIFICATION
	UI
	CORRESPONDENCE SYMBOL
	TEUM
	DATE
	August 22, 1990

DIRECTIVE : UNEMPLOYMENT INSURANCE PROGRAM LETTER NO. 40-90

TO : ALL STATE EMPLOYMENT SECURITY AGENCIES

FROM : *[Signature]*
 DONALD J. KULICK
 Administrator
 for Regional Management

SUBJECT : Model Trust Fund Accounting and Reporting System
 for the Unemployment Insurance Program

1. Purpose. To transmit, for State employment security agencies' (SESA) information and consideration for possible future use, a report prepared by the Department of Labor's Office of Inspector General (OIG), containing a model trust fund accounting system for State unemployment insurance (UI) programs including a model chart of accounts and related financial report data.

2. References. None

3. Background. A recently completed OIG review of State accounting practices, Audit Report No. 03-90-086-03-315, titled "The UI Program Needs to Improve the Internal Controls Over Trust Fund Accounting and Reporting Activities", dated January 25, 1990, indicated that many SESA accounting systems are inadequate to ensure accurate financial information or compliance with generally accepted accounting principles. In addition, auditors found that financial data in Federal reports submitted by the States often did not agree with the data in underlying State accounting systems.

The OIG recommended that States improve their financial reporting by implementing an accounting system that would integrate automated benefit payment and employer accounting systems with a general ledger.

A general ledger is a critical control element in any accounting system, particularly in accrual based accounting where more than cash balances must be tracked. A general ledger summarizes and brings financial data from subsidiary accounts such as benefit payment and revenue accounts together in one location from which financial statements and other required reports can be prepared.

REVISIONS	EXPIRATION DATE
	August 31, 1991
DISTRIBUTION	

4. Model Accounting System. Report No. 03-90-087-03-315 presents a model State accounting system, designed by OIG to address accounting problems described in companion Report No. 03-90-086-03-315 and other audits. Included in the model system are examples of accounting transactions, a SESA trial balance and a model chart of accounts. The model has been tested in six SESAs and has proven to be generally adaptable and capable of satisfying both Federal and State accounting and reporting requirements.

The Employment and Training Administration (ETA) recognizes and agrees that the model system developed by the OIG is one model or prototype among many which could be used by the States to improve accounting and reporting systems. ETA also recognizes that many SESAs are not stand alone agencies within their own State government structures and must conform to existing State or umbrella financial systems that may not be compatible with the OIG model.

Consideration of the chart of accounts and model accounting system should include an evaluation of current automated systems capability. States should also note that the model assumes an unemployment fund accounting system designed and run on an accrual basis in concert with Governmental Generally Accepted Accounting Principles for State and Local Governments. The needs of the agency for complete, accurate and timely unemployment fund data for preparation of monthly trial balances, financial statements and the various State and Federal reporting requirements should also be taken into account in considering this system.

5. Action Required. SESAs are requested to share the contents of the attached OIG report and model accounting system with staff members having responsibility for unemployment fund accounting for consideration and comparison with existing systems.

6. Inquiries. Inquiries or expressions of interest in the model system should be directed to the appropriate ETA Regional Office. The contact person for technical questions is Ms. Patricia Dalton, Regional Inspector General for Audit, in OIG's Philadelphia Regional Office. Ms. Dalton can be reached at FTS 8-596-4024 or 215-596-4024.

7. Attachments. OIG Report Number 03-90-086-03-315, "The UI Program Needs to Improve the Internal Controls Over Trust Fund Accounting and Reporting Activities" and OIG Report Number 03-90-087-03-315, "Model Trust Fund Accounting and Reporting System for the UI Program," dated January 25, 1990.